

PUBLIC DISCLOSURE

JANUARY 27, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAPE COD CO-OPERATIVE BANK

221 WILLOW STREET
YARMOUTH PORT, MA 02675

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CAPE COD CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JANUARY 27, 2003**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

Cape Cod Co-operative Bank's overall CRA performance reflects the degree of its commitment in helping to meet the credit needs of its assessment area. The bank was evaluated under the CRA Large Institution Examination procedures, including the Lending, Investment and Service Tests. These three tests were conducted to determine the bank's overall CRA performance rating for calendar years 2001 and 2002.

The Lending Test indicates that the bank has made the majority of its residential and small business loans within its assessment area. It has achieved a good distribution of loans among borrowers of different incomes and small businesses with revenues under \$1million. The bank has evidenced a good level of community development loans within its assessment area, as well as an acceptable level of flexible and government lending programs.

The Investment Test reflects the bank's support of community development through its participation in qualified innovative investments and donations to non-profit organizations within the assessment area that support affordable housing and community and economic development.

The Service Test indicates that the bank's delivery systems appear to be convenient and accessible to all segments of the assessment area. Low- and moderate-income residents and individuals within the assessment area benefit from the bank's efforts to provide services to the entire assessment area. The

bank has provided a high level of community development services within its assessment area through its coordination with organizations that promote community development.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **Cape Cod Co-operative Bank, Yarmouth Port, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Cape Cod Co-operative Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X	X	
Satisfactory			
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

The Cape Cod Co-operative Bank (CCCB) is a \$333.6 million institution headquartered at 221 Willow Street in Yarmouth Port, Massachusetts. The bank operates 5 full-service offices that are all located in Barnstable County with a full-time equivalent staff of 77 individuals.

Consistent with its mutually owned bank origins, CCCB is primarily a residential mortgage lender. As shown by the data in the following table, loans secured by 1 to 4 family residential properties account for 75.2 percent of the bank's \$233.7 million in outstanding loans.

Loan Distribution as of December 31, 2002		
Loan Type	Dollar Amount \$(000)	Percent (%)
Secured by:		
Construction and Land Development	16,402	7.0
1-4 Family Residential Properties	175,569	75.2
Multi Family (5 or more) Residential Properties	346	0.1
Nonfarm Nonresidential Properties	32,559	13.9
Commercial and Industrial Loans	6,102	2.6
Consumer Loans	2,690	1.2
Total	233,668	100.0

Source: Report of Condition

The bank actively sells residential mortgages in the secondary mortgage market, but retains the servicing rights. Participation in the secondary mortgage market allows the bank to offer a variety of fixed-rate and adjustable-rate mortgage loan products. Primarily the bank sells fixed-rate mortgages to the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). During calendar year 2001, the bank sold 257 loans to FHLMC totaling \$32 million and 40 loans were sold to FNMA totaling \$4.7 million. During 2002, the bank sold 354 loans to FHLMC totaling \$45.5 million and 24 loans to FNMA totaling \$2.7 million.

The bank's FFIEC Call Report data was utilized to determine the average loan-to-asset ratio for the last eight quarterly time periods, beginning March 31, 2001 through December 31, 2002. The data indicated that the net loan-to-asset ratio for that period averaged 69.5 percent. Net loans to assets fluctuated slightly during the period from a high of 72.7 percent as of March 31, 2001 to a low of 65.3 percent as of September 30, 2002. The average net loan-to-deposit ratio for the same period was 82.6 percent.

The bank's assets increased more than 13 percent between March 31, 2001, and December 31, 2002. An increase in deposits of 16.8 percent was noted for the same period. CCCB offers real estate, consumer and commercial credit products. These

products include, but are not limited to, the following: residential mortgages with terms of up to 30 years; construction loans; first time homebuyer loan products; low- and moderate-income loans; automobile loans; collateral loans; home equity closed end loans; home equity lines of credit; home improvement loans; secured and unsecured personal loans; student loans; commercial real estate loans; business lines of credit; business loans and SBA loans. In addition, Mass Housing loans are available.

Additional information regarding credit products designed for low- and moderate-income loan applicants are provided later in this evaluation.

The bank has a seven member CRA Committee that meets quarterly. The committee is comprised of the bank's President, Executive Vice President, Senior Vice President Chief Lending Officer, Vice President Residential Lending, Assistant Treasurer, and members of the Board of Directors. The CRA Committee is responsible for reviewing and overseeing the bank's efforts in complying with both the letter and spirit of the Community Reinvestment Act. The committee reviews the bank's geographic distribution of loans and deposits and monitors market share data.

The Commonwealth of Massachusetts examined the bank for compliance with the Community Reinvestment Act on May 8, 1998. The Federal Deposit Insurance Corporation (FDIC) examined the bank for compliance with CRA on November 13, 2001. Both examinations resulted in an overall rating of "Satisfactory." The performance rating at this examination is based upon the bank's lending for calendar years 2001 and 2002. Calendar year 2001 HMDA data is presented along with aggregate data. Comparisons will also be made to 1990 census data for owner-occupied households as well as all households. Residential real estate home purchases were strong in 2001 and refinances were robust in 2002 when interest rates were declining. Greater weight will be given to the bank's performance for real estate lending versus small business lending since the bank's primary focus is residential real estate lending. Small business lending comparisons will be made to business geodemographic data for the year 2001.

There are no apparent financial or legal impediments that would limit the bank's ability to help meet credit needs within the assessment area. Based upon CCCB's financial condition, size, product offerings, and branch network, the bank's ability to meet community credit needs remains strong.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its lending efforts are focused. The Division of Banks evaluates the institution's CRA performance based upon the defined assessment area.

Cape Cod Co-operative Bank has defined its assessment area as the following four towns: Barnstable, Dennis, Sandwich, and Yarmouth all located within the Barnstable Metropolitan Statistical Area (MSA). The geographies that make-up the assessment area are representative of three of the four income categories that define census tracts and borrowers. These categories include low-, moderate-, middle-, and upper-income. The assessment area is composed of a total of 23 census tracts, with the following classifications: 3 moderate-income; 14 middle-income; and 6 upper-income. The assessment area has no low-income census tracts.

Low-income is defined as income that is less than 50 percent of the MSA's median family income. Moderate-income is defined as income between 50 and 80 percent of the MSA's median family income. Middle-income is defined as income between 80 percent to 120 percent of the MSA median family income, while upper-income is defined as income that is equal to or greater than 120 percent of the MSA's median family income.

Based on the 1990 U.S. Census data the HUD median family income for the Barnstable MSA was \$38,054. HUD makes annual adjustments of median family income figure. The adjusted median family incomes for the MSA for 2001 and 2002 are shown in the table below. Based upon the definitions of the various income levels, the adjusted figures for low-income individuals and moderate-income families are also indicated in the following table.

Adjusted Annual Income Levels			
Barnstable MSA	Amount	Low-income <50% MSA MFI ¹	Moderate-income 50%-79% MSA MFI
Year: 2001	51,700	25,849	25,850 – 40,843
Year: 2002	56,500	28,249	28,250 – 44,635

¹Median Family Income

The majority of the assessment area's census tracts, as depicted in the table below, are distributed within middle-income tracts. The table also shows the median home value and the percentage of households and units within the various census tract categories. Information pertaining to household income levels is shown in the Performance Criteria portion of this evaluation.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner-Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Moderate</i>	13.0	6.9	11.0	3.7	16.0	17.5	134,667
<i>Middle</i>	60.9	69.4	69.2	68.9	70.7	69.1	156,554
<i>Upper</i>	26.1	23.7	19.8	27.4	13.3	13.4	178,948
<i>Total or Median</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>162,046</i>

Source: U.S. Census

According to 1990 census data, the assessment area has a total population of 91,477. The defined area has a total of 37,980 households ,with income distributions as follows: 22.1 percent are low-income; 16.4 percent are moderate-income; 20.4 percent are middle-income; and 41.0 percent are upper-income. The housing stock is comprised of 60,984 units, 90.9 percent of the total are 1-to-4 family, 7.8 percent are multi-family, and 1.3 percent are other units. Approximately 45.7 percent of the total units are owner-occupied, 16.6 percent are rental units, and 37.8 percent are vacant.

According to the 1990 U.S. Census, 89.2 percent of the vacant units within the assessment area are housing units that are classified as seasonal second homes that are not in use for most of the calendar year.

Similar to many other areas in the Commonwealth, real estate prices within Cape Cod continue to escalate at a rapid rate. The median sales price of homes for calendar years 2001 and 2002, by town, are shown in the following table.

Median Sales Price for Single Family Homes and Condominiums		
Location	2001	2002
Barnstable	\$230,000	\$300,000
Dennis	\$169,900	\$200,000
Sandwich	\$215,875	\$255,000

Yarmouth	\$164,750	\$224,525
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Data compiled by The Warren Group

According to the Annual Progress Report Comprehensive Economic Development Strategy (CEDS) for Barnstable County dated June 2001, and submitted to the U.S. Department of Commerce Economic Development Administration the biggest need and the most desired objective on Cape Cod is expansion of the region's technology sector. This report also indicated that the most striking aspect about Cape Cod in the past decade has been its economic resilience. While the U.S. economy has floundered the number of jobs on Cape Cod has actually grown from 66,952 to 85,512 in 1999, or a 27.7 percent increase.

Job creation outstripped population and housing growth by a significant margin. The summer economy is dependent upon approximately 25,000 seasonal workers in addition to the year-round workforce, according to a University of Massachusetts-Dartmouth study. Approximately 15,000 of the workers are from Cape Cod – high school and college students, retirees, and other adults. The remainder comes from Bristol and Plymouth Counties, out of state, and foreign countries. The heavy reliance on seasonal workers forces Cape Cod to consider where the off-Cape workers will live and the need for housing for such workers.

In an effort to gain more information about the assessment area and to identify the credit needs in the area, a community representative was contacted during this evaluation. The contact stated that affordable loan programs with lower down payment and closing costs were needed. This is due to the difficulty that potential homebuyers are experiencing in producing the required funds due to the rapid rise in home values.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

Data regarding CCCB's residential mortgage and small business lending were reviewed to determine the concentration of loans originated within the assessment area. Lending data were obtained from the bank's Loan Application Registers (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA). CRA lending data regarding small business lending were obtained from loan origination information provided by the bank under a format specified by CRA regulations. For comparison, the 2001 aggregate information was used. For rating purposes, 2000 and 2001 figures were considered. The following performance criteria are measured using both purchased real estate and business loans.

I. Lending Activity

HMDA Loans

From January 1, 2001, through December 31, 2002, the bank originated 1,322 HMDA-reportable loans totaling \$214,292,000. As the following table indicates, the majority of home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 1,078 or 81.5 percent by number and 79.9 percent by dollar volume, were granted within the bank's assessment area. Although both the number and dollar volume of the bank's loans are considered, the number of originations is weighed more heavily than the dollar volume.

<i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
2001	467	82.9	72,253	83.1	96	17.1	14,723	16.9
2002	611	80.5	98,897	77.7	148	19.5	28,419	22.3
Total	1,078	81.5	171,150	79.9	244	18.5	43,142	20.1

Source: HMDA LAR, Cra Wiz

Of the 377 lenders that originated and purchased HMDA-reportable loans within the assessment area in 2001, the bank ranked 8th in market share with 3.98 percent. North American Mortgage Company had the largest market share with 7.46 percent and NAMCO Asset Management was second with 6.47 percent.

The bank has had an impact on loan volume within its assessment area due to number of loans it has recently originated. The majority of these loans were made in response the drop in interest rates. The bank's lending volume increased during 2002, mostly due to refinanced loans as a result of lower interest rates. The bank's effort to generate loan volume within the assessment area was evaluated using originated loan figures.

Small Business Loans

The bank originated 162 small business loans for a dollar total amount of \$24,392,000. Of the total small business loans, 82.1 percent of the total number and 83.3 percent of the dollar volume were originated within the assessment area. The bank's lending ratios indicate a slight increase within the assessment area in 2002. Refer to the following small business table for more detailed information.

<i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2001</i>	64	78.0	9,395	79.7	18	22.0	2,393	20.3
<i>2002</i>	69	86.3	10,917	86.6	11	13.7	1,687	13.4
<i>Total</i>	133	82.1	20,312	83.3	29	17.9	4,080	16.7

Source: CRA Data Collection

II. Geographic Distribution

HMDA Loans

The bank's penetration of census tracts among different income levels is considered adequate. HMDA-reportable loans originated by the bank were analyzed to determine the extent of loan penetration within the assessment area's moderate-income geographies. For this evaluation period, the bank has made loans in most all of the area's census tracts.

As indicated in the Description of the Assessment Area section of this evaluation, there are no low-income census tracts within the assessment area. In 2001, the bank ranked 15th in market share with 2.6 percent within moderate-income census tracts. This pattern has been consistent throughout the two-year period. It is further noted that the concentration of owner-occupied housing units is within the middle-income census tracts.

The rate of owner-occupancy and the distribution of aggregate lending data are similar. No other significant differences were noted.

The following table shows that the bank's lending within moderate-income census tracts at 3.3 percent was proportionate to the percentage of owner-occupied housing units within the moderate-income tracts, which accounted for 3.7 percent of all housing units. However, the bank's lending for 2001 within moderate-income census tracts, at 3.2 percent, was below the aggregate performance of 5.0 percent.

In regards to dollar amount, a lower percentage for both aggregate lending and bank lending was indicated within moderate-income census tracts. This was due to the fact that home values are usually lower in moderate-income areas than in other income census tracts.

The bank has made the majority of its loans or 67.6 percent within the middle-income census tracts, as has the aggregate. This pattern has remained constant, since the bank made 67.7 percent of its loans in middle-income census tracts in 2001, while the aggregate lenders made 63.2 percent.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>								
<i>Census Tract Income Level</i>	<i>% Total Owner-Occupied Housing Units</i>	<i>Aggregate Lending Data (% of #)</i>	<i>2001</i>		<i>2002</i>		<i>Total</i>	
			<i>2001</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>%</i>
Moderate	3.7	5.0	15	3.2	20	3.3	35	3.3
Middle	68.8	63.2	316	67.7	413	67.6	729	67.6
Upper	27.5	31.8	136	29.1	178	29.1	314	29.1
Total	100	100	467	100	611	100	1,078	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The bank's overall lending increased by 30.8 percent in 2002. Although the bank's lending in moderate-income census tracts is relatively low, the numbers have improved since the most recent public evaluation. Loans in moderate-income tracts increased 33.3 percent in 2002, proportionately more than in the other tract categories. Refinanced home loans for 2002 accounted for 76.4 percent of the bank's real estate lending. The majority of these refinances originated from the bank's own loan portfolio.

Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered adequate. The following table indicates the distribution of the bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the following table also includes a breakdown by percentage of the 8,675 small businesses that operate within the three census tract categories.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>							
Census Tract Income Level	% of Total Number of Small Businesses	2001		2002		Total	
		#	%	#	%	#	%
Moderate	19.8	11	17.2	11	15.9	22	16.5
Middle	56.0	38	59.4	40	58.0	78	58.7
Upper	24.2	15	23.4	18	26.1	33	24.8
Total	100	64	100	69	100	133	100

Source: CRA data collection, CRA Aggregate Lending Data

Although CCCB is primarily a residential lender, the bank originated 133 small business loans totaling \$20.3 million for the two-year period. The majority of its small business loans were made within middle-income census tracts, which are also the location of the major portion of the local business and development. The bank made 58.7 percent of all small business loans within these tracts.

The geographic distribution of the bank's small business loans among census tracts of different income levels is roughly proportionate to the percentage of businesses within all census tracts, with the exception of moderate-income census tracts where it falls below the percentage of small businesses. The bank made 16.5 percent of its loans in moderate-income census tracts; while 19.8 percent of all businesses are located within moderate-income tracts.

III. Borrower Characteristics

HMDA Loans

The distribution of loans reflects a good dispersion among borrowers of different income levels. For comparison purposes, lending distribution, in addition to the distribution of the assessment area's 37,980 households by borrower income level and 2001 aggregate data is indicated in the following table.

<i>Distribution of HMDA Loans by Borrower Income</i>								
Median Family Income Level	% Total Households¹	Aggregate Lending Data* (% of #)	2001**		2002**		Total	
			2001	#	%	#	%	#
Low	22.2	2.5	24	5.1	33	5.4	57	5.3
Moderate	16.4	11.7	56	12.0	118	19.3	174	16.1
Middle	19.3	20.0	120	25.7	137	22.4	257	23.8
Upper	42.1	46.3	266	57.0	315	51.6	581	54.0

NA	0.0	19.5	1	0.2	8	1.3	9	0.8
Total	100	100	467	100	611	100	1,078	100

Source: †U.S. Census, *HMDA Aggregate Data, **HMDA LAR

Similar to lending on a geographic basis, the bank's lending to borrowers of different income levels can be compared to the percent of total households and to the lending activity of all other HMDA-reportable lenders. Of the 377 lenders that originated and purchased HMDA-reportable loans in the assessment area in 2001, CCCB held 3rd place with a market share of 7.84 percent to low-income borrowers. CCCB was in 8th place with a market share of 4.08 percent to moderate-income borrowers. Cape Cod Five Cents Savings Bank held the largest market share in lending to low-income borrowers with 12.42 percent, and North American Mortgage Company held the largest market share in lending to moderate-income borrowers with 8.3 percent.

CCCB has originated 5.3 percent of its loans to low-income borrowers and 16.1 percent to moderate-income borrowers. Although loans to low-income individuals is proportionately lower than the 22.2 percent of low-income households, the penetration is considered reasonable since approximately 8 percent of the households are below the poverty level and could not afford the costs associated with homeownership.

While both distributions are less than the percentage of households falling within each category, they appear to be consistent with or above the aggregate. In 2001, the bank made 5.1 percent of HMDA loans to low-income borrowers, in comparison to the aggregate, which made 2.5 percent. In addition, the bank made 12.0 percent of all loans to moderate-income borrowers, compared to the aggregate, which made 11.7 percent.

The overall concentration of CCCB's residential mortgage loans is among upper-income borrowers. As indicated in the above table, this is also consistent with the distribution of total households within the assessment area.

The bank's distribution of loans by dollar amount, mirrors the above distribution.

CCCB's level of lending among low- and moderate-income borrowers increased significantly in 2002. CCCB has maintained a good level of activity in these categories. To assist lower income individuals achieve homeownership, the bank has offered a number of in-house and government sponsored affordable housing programs. These programs offer expanded debt-to-income ratios and lower down payment requirements.

Small Business Loans

The bank's small business data indicated that a substantial majority of small business loans originated during the period reviewed were granted to businesses with gross annual

revenues of less than \$1,000,000. It is noted that the percentage of loans to businesses with revenues of \$1,000,000 or less increased in 2002. As the table below shows, the bank made 76.6 percent and 82.6 percent of loans, respectively in 2001 and 2003 to businesses with revenues under \$1million.

<i>Distribution of Small Business Loans by Gross Annual Revenues of Business</i>						
<i>Gross Annual Revenues (000s)</i>	<i>2001</i>		<i>2002</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<= \$1,000	49	76.6	57	82.6	106	79.7
> \$1,000	15	23.4	12	17.4	27	20.3
Total	64	100	69	100	133	100

Source: CRA Data Collection

The amount of small business loans by dollar amount indicates that 63.4 of the dollars have gone to businesses with revenues of less than \$1,000,000.

CCCB also originated a substantial majority of its small business loans in dollar amounts of less than \$100,000. This reflects the bank's commitment to serving the credit needs of smaller businesses within the assessment area. The bank made 54.9 percent of all small business loans in original amounts of under \$100,000.

Refer to the following table.

<i>Distribution of Small Business Loans by Loan Size</i>						
<i>Loan Size (000s)</i>	<i>2001</i>		<i>2002</i>		<i>Total</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
< \$100	40	62.5	33	47.8	73	54.9
\$100 - \$250	16	25.0	22	31.9	38	28.6
> \$250 - \$1,000	8	12.5	14	20.3	22	16.5
Total	64	100	69	100	133	100

Source: CRA Data Collection

IV. Community Development Lending

Cape Cod Co-operative Bank has exhibited a good amount of community development lending. During the period reviewed, the bank provided 5 community development loans within its assessment area with a total dollar value of \$707,865. The bank's lending meets the needs of its communities not only in the amount of funding, but in the innovativeness and complexity of the lending as well. The following is a summary of loans to community organizations, all of which fall within the assessment area.

In July 2001, the bank made a short term construction loan in the amount of \$174,500 for the conversion of a 26 room lodging house into 12 housing units of affordable housing in Hyannis. This loan was a participation loan with the Cape Cod Affordable Housing Loan Consortium.

In November 2001 the bank made a one-year loan in the amount of \$325,000 for the acquisition of 6.5 acres of vacant land in the village of Marston Mills. This loan was made

to the Housing Land Trust for Cape Cod. This land will be used for the construction of 30 units of affordable housing.

In May 2002, the bank made a loan in the amount of \$145,926 to the Mid-Cape Ice Arena. This loan supports economic development activity within the bank's assessment area.

In July of 2001 and 2002 Cape Cod Co-operative Bank made two loans totaling \$62,439 to the Cape and Islands Boy Scouts of America. These working capital loans were used to support programs for low to moderate-income children.

In addition to the above loans within the bank's assessment area, Cape Cod Co-operative Bank also made the following community development loans in towns contiguous to its assessment area. The bank is accorded credit for these loans since it has adequately satisfied the credit needs of its assessment area through the loans listed above.

In November 2001 the bank made a loan in the amount of \$166,667 for the purchase and renovation of properties in the Wellfleet area, which will be made available to low and moderate-income families. This loan was made in participation with the Cape Cod Affordable Housing. Loan Consortium

In July 2002 the bank made a loan in the amount of \$185,714 for the construction of affordable housing units in the Falmouth area. This loan was made in participation with the Cape Cod Affordable Housing Loan Consortium. Permanent financing will be provided by the Massachusetts Housing Partnership.

V. Innovative or Flexible Lending Practices

CCCB has developed or participated in innovative and flexible lending programs designed to help meet the credit needs within its assessment area. These programs use flexible criteria and underwriting standards. The following is a summary of these programs.

Residential Lending Programs

Low/Mod Income Loan Program

This is a needs-based program for borrowers with low incomes and/or low assets who can not be approved for other lending programs. The program allows for flexible underwriting including a 5 percent down payment, an allowance of 5 percent in gift funds, a minimum credit score of 600, and no private mortgage insurance requirement.

No Income DocProgram

This program features adjustable rate products with no income verification and no employment verification for residential properties. The maximum loan to value is set at 50 percent. In addition the borrower, or borrowers, must have a minimum of 2 years credit history with a minimum of 5 trade lines. Other requirements are similar to those set forth in

the bank's lending guidelines.

Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) programs

These programs give the bank some degree of latitude with underwriting standards. Discounted fees and flexible underwriting allows the bank to be more competitive.

Massachusetts Housing Finance Authority (MHFA)

This program offers the borrower flexibility with the down payments and underwriting ratios.

Residential Mortgage Loan Programs – Innovative and Flexible		
Loan Product	Loans	Amount (\$000's)
First Time Home Buyers	73	12,443.5
FHLMC Program	611	77,910.8
FNMA Program	64	7,358.8
MHFA	15	2,242.1

Source: Cape Cod Co-operative Bank

Small Business Loans

The bank participates in loans under the Small Business Administration loan program. In February 2001 the bank provided a loan in the amount of \$70,000 and another loan in June 2002 totaling \$139,000.

VI. Fair Lending Policies and Practices

Cape Cod Co-operative Bank's fair lending practices were reviewed to determine how they relate to the guidelines set forth in Regulatory Bulletin 2.3-101, the Division of Bank's Community Reinvestment and Fair Lending Policy. The bank has a formal fair lending policy. The policy makes reference to fair lending regulations such as ECOA and MCAD. Employees undergo comprehensive fair lending and diversity training at different times throughout the year. Board members are also included in a unique interactive training program established by the CRA Officer. These training sessions are conducted in-house by the bank's CRA/Compliance Officer.

Officers and employees of the bank are involved with community organizations that allow them to better ascertain the needs of the community. Marketing efforts appear to reach individuals of all income levels and effectively cover the entire assessment area. Management refers all loan customers whose home loan is delinquent to the appropriate credit-counseling agency. A file review of residential mortgage loans gave no indication of any discriminatory practices.

Minority Application Flow

The loan application registers for 2001 and 2002 were reviewed to determine if the application flow from the different racial groups represented in the bank's assessment area was reflective of the area's demographics. Of the total HMDA reportable applications received from within the bank's assessment area, 92.5 percent were from white applicants, 2.5 percent were from minority applicants, and the remaining 5.0 percent were designated as NA. Of the 30 applications received from minority applicants 26, or 86.7 percent, were originated.

Cape Cod Co-operative Bank's minority application flow in 2001 was also compared to all other HMDA reportable lenders accepting applications in 2001 from within the bank's assessment area. As indicated in the following table, the bank's minority application flow was less than the aggregate. Refer to the following table.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2001		BANK 2001		BANK 2002		BANK TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	33	0.2	1	0.2	1	0.1	2	0.2
<i>Asian</i>	55	0.4	1	0.2	1	0.1	2	0.2
<i>Black</i>	91	0.6	1	0.2	5	0.7	6	0.5
<i>Hispanic</i>	134	0.9	0	0.0	0	0.0	0	0.0
<i>Joint Race</i>	117	0.8	6	1.1	7	1.0	13	1.0
<i>Other</i>	112	0.7	3	0.6	4	0.6	7	0.6
Total Minority	542	3.6	12	2.3	18	2.7	30	2.5
<i>White</i>	9,816	65.0	491	92.5	624	92.6	1,115	92.5
<i>NA</i>	4,735	31.4	28	5.3	32	4.7	60	5.0
Total	15,093	100	531	100	674	100	1,205	100

*Source: PCI Services, Inc., CRA Wiz Software.

According to the 1990 U.S. Census Data, the bank's assessment area contained a total population of 91,477 individuals. Minority individuals in this area accounted for 4.8 percent of the total population. Aggregate information for 2001, as shown in the above table, indicated that 3.6 percent of the total applications received from all other HMDA reporters were from minority applicants. Although the aggregate minority application figures are slightly lower than the minority population rate, the percentage of lending for the bank is less than half of the minority population rate.

VII. Loss of Affordable Housing

The bank's lending programs, which include community development and flexible underwriting, has assisted low- and moderate-income individuals to remain in their neighborhoods.

Conclusion Lending Test

Cape Cod Co-operative Bank has demonstrated a good level of responsiveness to community credit needs. The majority of the bank's residential and small business loans are made inside the assessment area and the distribution of loans among borrowers of different income levels and businesses of different sizes is strong. In addition, the bank has established a record within its assessment area of helping to serve the credit needs of moderate-income geographies, low- and moderate-income borrowers, and businesses with gross annual revenues of \$1 million or less. The bank has granted an adequate level of community development loans. Based on the aforementioned, the institution's overall lending performance is considered "High Satisfactory."

INVESTMENT TEST

The bank's Investment Test performance is rated "High Satisfactory". CRA regulation defines a qualified investment as a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. Community development includes affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low- and moderate-income geographies. In recognition of the many legal limitations on bank investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination. The following describes the institution's qualified investments.

The bank's performance in this category is considered good. The bank has made a total of \$550,246 in qualified investments. This total includes a \$500,000 investment in the CRA Qualified Investment Fund. In addition, charitable-contributions to organizations that promote economic development within low- and moderate-income communities or provide services to low- and moderate-income communities or individuals are included in the total.

Qualified Investments

Cape Cod Co-operative Bank made an initial investment of \$500,000 in the **CRA Qualified Investment Fund** in July of 2002. The Qualified Investment Fund is designed to provide targeted investment for affordable housing development through investment within an institution's assessment area. Cape Cod Co-operative Bank's current book value of this investment is \$500,191 due to capital gains being reinvested at the end of the year. With over 140 shareholders throughout 33 states, the fund has the ability to over-allocate for an institution when qualified investments become available in an institution's assessment area; as was the case in the past year with Cape Cod Co-operative Bank. The following details the investments of the CRA Qualified Investment Fund on behalf of Cape Cod Co-operative Bank.

In October of 2002, the CRA Fund Advisors allocated \$337,000 of a \$1,691,502 Freddie Mac Pool that is comprised of loans to low- and moderate-income borrowers to Cape Cod Co-operative Bank. The \$337,000 is comprised of loans to moderate-income borrowers in Brewster and East Falmouth.

In November 2002, CRA Fund Advisors allocated \$116,000 of a \$1,501,050 Freddie Mac Pool that is comprised of loans to low- and moderate-income borrowers. The allocated portion is a loan to a low-income borrower in Dennis.

In December of 2002, CRAFund Advisors allocated \$254,000 of a \$1,190,050 Freddie Mac Pool. This security is comprised of loans to low- and moderate-income borrowers in South Yarmouth and Barnstable.

CRAFund Advisors purchased \$25,000 of a municipal bond issued by the Massachusetts Development Finance Agency for allocation to Cape Cod Co-operative Bank. The bond refinances existing mortgage debt and finances the construction, acquisition, and renovation of new facilities for Seven Hills Foundation. Seven Hills Foundation serves developmentally disabled persons and their families throughout Massachusetts, from its home location of Worcester, Massachusetts. This investment is accorded credit since it represents an investment in a qualified investment that benefits a larger statewide area that includes the assessment area.

The above allocations exceed the initial investment of Cape Cod Co-operative Bank of \$500,000, upon which the bank's rating is determined under the Investment Test.

Cape Affordable Housing Loan Consortium

Cape Cod Co-operative Bank also donated money to the Cape Cod Affordable Housing Loan Consortium. This organization was formed by area banks and community representatives to increase the availability of affordable housing on Cape Cod. The consortium offers construction and or rehabilitation financing for the development of affordable housing.

Homowner Option for Massachusetts Elders Annual Participation Fee

The bank continues to participate in Homeowner Option for Massachusetts Elders (HOME) Uniform Reverse Mortgage Lending Plan. This statewide non-profit organization assists low- and moderate-income elder homeowners in identifying available housing and financial resource options for life planning. The Uniform Reverse Mortgage Lending Plan requires that all reverse mortgage lenders operate only under the aegis of an approved plan. By participating in this plan, Cape Cod Co-operative Bank is provided with the legal authority to originate reverse mortgages, and are provided with a set of approved and necessary loan documents and other materials. HOME also furnishes to all participating members support, training, technical assistance, and necessary follow-up to effectuate this service. Cape-Co-Co-operative Bank pays HOME an annual participation fee. which supports the activities of HOME.

Charitable Contributions

Other forms of qualified investments consist of charitable contributions. From January 1, 2001 through December 31, 2002 the bank granted approximately \$45,746 in donations

that are considered to be qualified investments as defined under the CRA regulation. The majority of the organizations that have received grants from the bank provide affordable housing, shelter, health care, credit counseling, and homebuyer education. Some of the entities receiving donations from the bank included:

- **Community Foundation of Cape Cod:** This nonprofit charitable community trust was organized in 1989. The Community Foundation acts as a vehicle for linking community resources with community needs by raising funds, investing them, and distributing the income from the funds to nonprofit organizations.
- **Consumer Credit Counseling Service:** A nonprofit organization that provides financial counseling and educational programs for families and individuals.
- **Dennis/Yarmouth Ecumenical Council:** This organization consists of a group of lay persons and clergy brought together to prevent homelessness on Cape Cod. All monies raised by this council are contributed to the Housing Assistance Corporation for its use in the prevention program. This prevention program is run by HAC and works on a case-by-case basis with families in danger of eviction and negotiates with landlords in an effort to prevent homelessness before families lose their housing.
- **Massachusetts Society for the Prevention of Cruelty to Children:** This private non-profit agency assists at risk families with children pre-natal through four years of age. Over 95 percent of the families served are low-income.
- **United Way:** This local non-profit organization that distributes funds for over 24 health and human service agencies throughout Barnstable County and the Islands of Martha's Vineyard and Nantucket.
- **YMCA:** The bank's donation was earmarked towards the "Reach Out for Youth Annual Support Campaign." This campaign reaches out to children of low- and moderate-income families giving them the opportunity to participate in the YMCA's programs.
- **Seaside LeMans Race for the Cape Cod Community:** A non-profit charitable event that raises funds for the Community Foundation of Cape Cod to be distributed to local charities.
- **Nauset, Inc.:** This non-profit agency provides housing, vocational, therapeutic, social and recreational services to more than 200 individuals with disabilities across Cape Cod. The bank's donation was in support of housing for Cape Cod individuals with disabilities.
- **Massachusetts Bankers Association:** The Association's Charitable Foundation highlights charitable contributions member banks make to deserving local organizations and causes on a regular basis.

- **Healthcare Foundation of Cape Cod:** The bank's donation was used for free subsidized health care for low- and moderate-income individuals.

Conclusion – Investment Test

Overall, Cape Cod Co-operative Bank has made a good level of qualified community development investment and grants. The bank's major investment was in the CRA Qualified Investment Fund, which seeks to identify securities in the bank's targeted area. Donations have been granted to community organizations that are dedicated to helping low- and moderate-income individuals and families. Given its asset size, as well as its responsiveness to credit and community economic development needs, Cape Cod Co-operative Bank's performance under the Investment Test is considered to be at a high satisfactory level.

SERVICE TEST

The institution's Service Test performance was rated an overall "Outstanding." This rating is based upon an evaluation of the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The Cape Cod Co-operative Bank's officers and staff, at all levels, have addressed community credit needs through their involvement in a wide range of community organizations. These organizations are targeted to low- and moderate-income individuals in particular and are located throughout the assessment area. The types of products and services offered to consumers are considered to meet the needs of the communities served.

RETAIL BANKING SERVICES

The effectiveness of a bank's system for delivering retail banking services is determined by analyzing the accessibility of the delivery system, changes in branch locations, and the reasonableness of business hours and services in meeting assessment area needs.

Distribution of Branches

Cape Cod Co-operative Bank's distribution of branches is accessible to all customers who reside within the assessment area. The bank maintains a Branch Closing Policy that

adequately addresses the process for opening and closing a branch office. There are six office locations, including the main office that serves customers. The main office, which is located in Yarmouth Port in a middle-income census tract, is considered the bank's operations center. The five remaining offices are all full service branch offices located in East Dennis, Hyannis, Sandwich, West Barnstable, and Yarmouth Port. The Hyannis branch, which was opened on April 15, 2002, is located within a moderate-income census tract. The bank has not closed any branch office since the last CRA evaluation.

<i>Distribution of Bank Offices by Income Category of the Census Tract</i>						
<i>Census Tract Income Category</i>	<i>Census Tracts in Assessment Area</i>		<i>Households</i>		<i>Bank Offices by Tract Location</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Moderate	3	13.0	2,610	6.9	1	20.0
Middle	14	61.9	26,356	69.4	2	40.0
Upper	6	26.1	9,014	23.7	2	40.0
Total	23	100.0	37,980	100.0	5	100.0

Source: U.S. Census and Bank Public File

Alternative Banking Services

The effectiveness of the bank's retail system in meeting the needs of the assessment area is further supported by the hours of operation. The bank's business hours are comparable to those other institutions of similar size and operating capacity. All offices offer extended hours during the week as well as Saturday hours. All full service offices offer the convenience of a drive-up window and all offices, with the exception of the East Dennis office, provides drive-up Automated Teller Machines (ATM) service.

In addition to branch banking, Cape Cod Co-operative Bank provides 24-hour banking by providing Automated Teller Machines (ATM) and telephone banking services. The bank is a participant in the SUM network, which makes the accessibility of financial services more affordable. This service allows the bank's customers surcharge-free use of ATMs operated by other SUM alliance member banks.

Customers can also access the bank's TeleBank, the 24-hour telephone banking service, which affords customers the ability to access their accounts. By utilizing the telephone banking system, customers can check account status, transfer funds between accounts, and make loan payments.

The bank's web site, located at www.capecodcoop.com includes 24-hour Online Banking services. The web site provides a comprehensive overview of all of the bank's personal and commercial banking services. The site also provides bill payment service that allows customers to direct payments from designated accounts to third parties. Cape Cod Co-operative Bank's delivery systems are accessible to essentially all segments of the

assessment area, and do not vary in a way that inconveniences its assessment area particularly moderate-income geographies and low- and moderate-income individuals.

Other Retail Services

The bank offers a full range of deposit services designed to fit the needs of individuals, including low- and moderate-income individuals. As a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Cape Cod Co-operative Bank offers low-cost savings and checking accounts to all segments of its assessment area, including those with modest incomes. The bank's Basic Checking Account requires no minimum balance. The \$2.00 monthly service fee is waived on direct deposit accounts. The Regular Checking Account requires no minimum balance. Maintaining a \$500 minimum balance will waive the \$3.00 monthly service charge. Direct deposit will also waive the monthly service charge.

Cape Cod Co-operative Bank also offers the CapeLife Account. CapeLife Account customers must have or open a Cape Cod Co-operative Bank interest bearing NOW Checking Account, then combine the balances from this account with any Cape Cod Co-operative Bank saving account, money fund, consumer loan, or mortgage loan to maintain a combined average daily balance of \$15,000. Among the numerous benefits of this account, customers receive free checks, no annual fee MasterCard/MasterMoney ATM/Debit Card, free ATM access, no annual fee ready reserve credit line, special CD rates, discounts on auto loans, personal loans, mortgage closing costs, home equity line of credit fees, no fee travelers checks, and much more.

Cape Cod Co-operative Bank also maintains Massachusetts Interest on Lawyers' Trust Accounts (IOLTA). Attorneys and law firms maintain these accounts for the short term holding of clients' funds. Interest earned on these accounts is remitted to the IOLTA committee, which distributes funds to local charities to provide low or no cost legal services to low-income individuals. This program benefits over 100,000 low-income individuals a year in the areas of consumer, family, education, disability, and elder services. The bank has paid interest to Massachusetts Interest on Lawyers' Trust Accounts (IOLTA), on balances of \$5,544,181 on December 31, 2001 and \$3,962,503 on December 31, 2002.

As part of the bank's community outreach program, the bank will cash certain checks for non-bank customers free of charge, provided that the payee is a resident of Massachusetts; the check does not exceed \$2,500; the payee provides a picture identification; and the payee appears in person to cash the check. Certain checks include state and federal government checks.

In addition, investment services for personal and business owner financial needs are available to Cape Cod Co-operative Bank customers through American Express Financial

Advisors Inc. American Express Financial Advisors are located at the Cape Cod Co-operative Bank buildings in Yarmouth Port and West Barnstable.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for a community development purpose, and is related to the provision of financial services. Cape Cod Co-operative Bank is considered highly pro-active within the community. Throughout all levels of the bank, employees are involved in organizations that support the economic development, housing needs, and overall well being of the communities located within Cape Cod Co-operative Bank's assessment area. The following are examples of organizations that have been assisted by officers, trustees and employees of Cape Cod Co-operative Bank:

The bank's Compliance/CRA Officer is a member and serves on the Resource & Development Committee and the Family Self Sufficiency Committee of the **Housing Assistance Corporation (HAC)**, a regional nonprofit that provides emergency shelter for families and individuals experiencing homelessness. This organization is also the creator and administrator of various first-time homebuyer, rental assistance, rehabilitation and prevention programs. The agency's mission is to promote and implement the right of all people on Cape Cod and the islands to occupy safe and affordable housing. The bank's loan originator is a member of HAC's Advisory Board for the Cape Home Ownership Center. The Advisory Board meets monthly to advocate and monitor HAC's programs and affordable housing lotteries.

The bank's CRA Officer is also a committee member of **Independence House, Harwich Ecumenical Council for the Homeless, Inc., Housing Land Trust for Cape Cod**, treasurer of the **Association for the Preservation of Cape Cod**, committee member of the **Barnstable Interfaith Council**, and board member of the **Friends of Barnstable Senior Center**.

Independence House is the only source of counseling and assistance for domestic violence and sexual assault survivors on the Cape.

Harwich Ecumenical Council for the Homeless was formed by clergy and lay people from seven Harwich churches for the purpose of providing housing for the homeless families with children. This organization owns 38 residential units, located in Harwich, Dennis and Yarmouth. In addition to housing, this organization also provides a one-time assistance with expenses to families to prevent the loss of housing. In 2001 and 2002, Harwich Ecumenical Council for the Homeless assisted 207 and 254 families, respectively

Association for the Preservation of Cape Cod was founded in 1968 to promote policies and programs that foster the preservation of the natural resources of Cape Cod.

The group meets regularly to address issues of regional significance, such as residential growth management and affordable housing. This group is currently developing a program to promote and increase the amount of affordable housing for all Cape Cod residents.

Barnstable Interfaith Council, a community based, nonprofit was formed in the spring of 1999, in an effort to prevent homelessness. This group works with individuals at risk of losing their housing and will provide one-time assistance with expenses (i.e. overdue mortgage payment, security deposit, etc.) to prevent the loss of housing.

A Vice President of the bank assists in fundraising for the **Dennis-Yarmouth Ecumenical Council for the Homeless (D-YECH)**. This nonprofit organization consists of a group of lay persons and clergy working to prevent homelessness. D-YECH raises money, which is contributed to the Housing Assistance Corporation (HAC), for use in its prevention program. HAC works on a case-by-case basis with families in danger of eviction and negotiates with landlords in an effort to prevent homelessness before families lose their housing.

The bank's President is a trustee of the **Community Foundation of Cape Cod**. This charitable community trust was organized as a nonprofit in 1989 to sense the needs of the people of Cape Cod. The Community Foundation acts as a vehicle for linking community resources with community needs. They accomplish this by building a pool of funds, investing them, and distributing income from the funds to nonprofit organizations and institutions throughout the Cape.

The bank's Vice President/Commercial Loan Officer is a member of the **Cape Cod Affordable Housing Loan Consortium**. Formed by area banks and community representatives to increase the availability of affordable housing on Cape Cod, the Consortium offers construction and/or rehabilitation financing for the development of affordable housing. This Vice President is a member of the loan committee of the **Cape & Island Community Development**. This organization provides small business loans to business owners that can not receive conventional loan financing. Its mission is to provide financing for businesses that may be start-ups, undercapitalized, etc. but have merit and provides jobs.

The bank's loan processor was the chair of the Family Selection Committee for the **Habitat for Humanity of Cape Cod**. This not-for-profit organization assists families in attaining home ownership through self-help and outside donations of cash, materials and labor. Home construction is accomplished primarily through volunteer laborers who build houses that are then sold to selected low-income families. The family selection committee chooses homeowners on the basis of need, ability to repay the mortgage and willingness to partner in the work. Another employee of the bank is also a member of this organization.

The bank's Executive Vice President and Chief Operations Officer is the chairman for the **United Way of Cape Cod**. This volunteer position oversees the raising and distribution of funds for over 24 health and human service programs throughout Cape Cod and the Islands of Martha's Vineyard and Nantucket. A Vice President of the bank serves on the Citizens Review Committee of the United Way of Cape Cod. As a member of this committee, this Vice President performs site visits, prepares reports and makes recommendations concerning annual funding to various member agencies on Cape Cod.

The bank's Executive Vice President is a board member, and a Vice President of the bank is president of the board of directors of the **Consumer Assistance Council (CAC)**. This nonprofit organization serves the Cape and Islands in cooperation with the Attorney General of Massachusetts. This organization's primary objective is to assist and educate consumers and sellers of goods and services about consumer protection laws. CAC is a member of the United Way and works with credit, housing, councils on aging, and law enforcement agencies.

A Director of the bank lends her financial expertise when volunteering at **Nauset, Inc.** This nonprofit organization works with developmentally challenged adults and creates work programs as well as manages home care sites for their clients. This Director is also a director & treasurer of **Job Training & Employment Corp.** This nonprofit organization manages a variety of funding streams that pay for workforce training and education. They assist dislocated workers, those returning to the workforce after many years and students at risk. JTEC also assist with employment placement and on the job training, as well as provides counseling support to its clients.

A Director of the bank is a member of the board of trustees and a member of the executive committee of the **Duffy Health Center**. This nonprofit organization is the primary health care facility for the homeless population of Cape Cod and provides free health care.

Other organizations that officers and employees lend their technical expertise include civic, charitable, religious and fraternal organizations located throughout the assessment area. Although all may not qualify as community development, they provide valuable services to the local community.

Other Services

Cape Cod Co-operative Bank sells grocery certificates to benefit the Barnstable Interfaith Council (BIC) and the Dennis-Yarmouth Ecumenical Council for the Prevention of Homelessness (D-YECH). The money generated from the sale of grocery certificates is used to support NOAH Center's Individual Prevention Program, and the HAC Prevention Program. These prevention programs intervene for individuals and families in crisis with the goal of attaining or maintaining the permanent housing they might otherwise lose. This is accomplished by paying rent, mortgage arrearages, and other related expenses. Staff at NOAH and HAC assesses the client's financial and social service needs and any needed supportive services are offered to stabilize the client. Funds are awarded when it

is determined that the client's situation can be maintained. Five percent of the certificate value helps fund Project Prevention and the Individual Prevention programs.

In the spring of 2002, the bank's CRA Officer started quarterly meetings with other local bank CRA Officers in an effort to approach community development projects as a group. Although numerous projects have been discussed, the group is in its infancy stage and no projects have come to fruition as of yet.

EDUCATIONAL SERVICES AND SEMINARS

Cape Cod Co-operative Bank has conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs. These events provide opportunities for bank representatives to inform those in attendance about the products and services that are offered by the bank and to gain information about credit needs in the community. The following is the bank's involvement in 2001 and 2002.

The bank is one of the sponsors of the Housing Assistance Corporation's Homebuyer Seminars. These homebuyer seminars are a series of 5 evening classes. The bank's mortgage originator routinely participates as an instructor in these annual sessions. In 2001 and 2002, this mortgage originator participated in a total of 14 sessions.

In addition to homebuyer educational classes, the bank's mortgage originator also participates in HAC's Economic Literacy workshops annually. This six-workshop series is designed for lower economic individuals and families to provide basic education on handling finances, checking and savings accounts, credit reports and managing credit cards and loans. The presenters consisted of HAC staff, bankers and credit counselors.

Bank employees continue to participate in the Junior Achievement program. This program educates and inspires young people to value free enterprise, business, and economics to improve the quality of their lives. The program spans grades K-12 in schools throughout the Cape.

Conclusion - Service Test

As depicted above, Cape Cod Co-operative Bank's systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels within its assessment area. These services are comparable to those offered by similarly situated financial institutions. The bank's officers and employees have provided a high level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations, which bank management and employees have taken a leadership role in, promote economic development or target the homelessness issue on Cape Cod. Management recognizes that an active real estate market, caused, in part, by many non-

Cape residents who have purchased second homes here, has driven up housing costs. The result is a scarcity of year round rentals and modestly priced homes that have affected many of the seasonal workers. Bank personnel's involvement and dedication to numerous economic development and affordable housing organizations is evident of Cape Cod Co-operative Bank's commitment to its assessment area. Bank representatives have also sponsored and participated in various educational seminars and are active participants of homeless prevention programs. The bank's service activities are considered to be outstanding.

APPENDIX A

SCOPE OF EXAMINATION

Cape Cod Co-operative Bank

SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data between competing institutions. Cape Cod Co-operative Bank has one assessment area, which was reviewed using the large bank examination procedures.

TIME PERIOD REVIEWED: January 1, 2001– December 31, 2002

PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

CAPE COD CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 27, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area , each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

